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SOVIET UNION

1. Ambassador Kennan believes Soviet policy still based on imminent collapse of capitalist world:

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Ambassador Kennan considers that the most important and effective blow which can be dealt the USSR at this time would be a psychological attack designed to shake the

Kremlin's confidence in the basic thesis that the capitalist world is unstable, upon which he feels Soviet policy is still based.

The Ambassador says that Soviet behavior towards the West is predicated on the persistent hope that the present structure of the Western world will prove increasingly inadequate to withstand the steady attacks of the world Communist movement. The Kremlin, therefore, considers a war against the West as unnecessary as well as dangerous, but at the same time is also unwilling to have any "real, as distinct from demonstrative," negotiations with these Western governments which it considers short-lived.

In the present, shrill exaggerations of Soviet propaganda, the Ambassador reads an extreme nervousness and perhaps even an advanced degree of inner doubt about the soundness of this thesis.

The idea that the Communists are wrong in their analysis of the trend of Western society, and that in the foreseeable future they will continue to be faced by those governments they now strive to undermine, should, in the Ambassador's opinion, "be thrown out against the Communist world in every conceivable variation, with unremitting reiteration and persistence, and with all possible factual support."

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FAR EAST

2. Soviet tactical units reportedly moving towards Korean front:

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Soviet infantry and artillery units moved south of the Chongchon river in northwest-
ern Korea in early May, [redacted]

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Allegedly the artillery units are destined for front line service.

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An expansion of facilities and an increase in personnel, particularly armored specialists, began in early May at North Korean General Headquarters, [redacted]

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[redacted] At the same time, beginning 20 May, round-the-clock conferences have been scheduled at combined Chinese-Korean Headquarters.

Comment: The presence of Soviet air and antiaircraft artillery units and advisory personnel in Korea has been previously accepted, but the existence of other Soviet ground combat units has not been confirmed. Since commitment of Soviet ground units at the front would increase the danger that Soviet involvement could be proved, such a move seems unlikely.

3. Thailand threatens to change sides in case of Chinese aggression:

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[redacted] The government-controlled paper in Bangkok on 11 June commented at length on Thai fears of a Chinese Communist invasion through Burma. While stating that Thailand would fight aggression, the article included a thinly-veiled threat of quick capitulation if the United States did not soon send more arms.

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The American Embassy in Bangkok comments that this newspaper is frequently used to express unofficially the government's views, and that the article in question lends credence to increasing reports that Thai leaders feel insecure in the absence of an American guarantee to defend their country. The embassy adds that they may some day use this reasoning to justify "changing sides in the cold war."

Comment: There have been other recent indications that the Thai Government is questioning the wisdom of its extremely pro-Western policies and is preparing to adapt itself ultimately to possible Chinese domination of the Far East.

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NEAR EAST - AFRICA

5. Iranian Chief of Staff warns of possible Tudeh coup d'etat:

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The Iranian Army Chief of Staff on 6 June warned his staff of the possibility of a Tudeh coup d'etat. He stated that Tudeh cells, which include senior officers, exist throughout the army, but he said action against them was too dangerous.

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Comment:

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There is no evidence, however, of any organization capable of carrying out a successful coup. There are no senior officers prominent among the suspects, the majority of whom are enlisted personnel or junior officers, often conscripts.

EASTERN EUROPE

6. Increased work quotas in Hungary apparently due to Soviet pressure:

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Higher production quotas for workers were introduced in Hungary early this month after a six weeks study had demonstrated laxness and disorganization in important plants.

Comment: The higher quotas apparently result from direct Soviet intervention to speed up Hungarian production for the USSR. Sharp Soviet-inspired criticism has recently struck the Hungarian bauxite, locomotive and shipbuilding industries, and apparently has led to an investigation of accounting methods to discover concealment of underproduction.

The chief of the Hungarian National Economic Planning Office went to Moscow in February and returned in March with a demand for a 25 percent rise in industrial production and a 5.2 percent reduction in costs.

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WESTERN EUROPE

7. Director of French police says Communist Party seriously weakened:

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The director of the French National Police believes that the French Communist Party is now disorganized and demoralized, and that it will have difficulty recruiting.

The main Communist threat for the future, he fears, lies in the possibility that Benoit Frachon, Secretary General of the Communist-led General Labor Confederation, will be given free rein to concentrate on labor's economic demands.

Comment: Despite Frachon's past success in staging effective strikes on economic issues, as in the Paris transport workers' walkout of March 1951, he has, until now, been generally overruled by top party leaders who have insisted on political strikes.